



PRESS RELEASE

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IRS – Criminal Investigation

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Fugitive Convicted of Federal Tax Crimes Arrested by the U.S. Marshals Service in Arizona After More Than 14 Years on the Run

A fugitive and former lawyer, who had been on the run since being sentenced to more than six years in prison on tax charges in 2002 was apprehended last week in Phoenix, Arizona, by the U.S. Marshals Service, announced Acting Assistant Attorney General Caroline D. Ciralo of the Justice Department's Tax Division.

Palle Bognaes aka Pono, 74, was convicted in 2001 following a two-week jury trial in Reno, Nevada, of conspiracy to defraud the United States, obstructing the administration of the internal revenue laws, tax evasion and failure to file income tax returns. On Jan. 28, 2002, U.S. District Judge David W. Hagen of the District of Nevada sentenced Bognaes to 80 months in prison. Bognaes failed to report to prison in March 2002 to begin serving his sentence and remained a fugitive until he was apprehended on April 2.

The evidence at trial demonstrated that Bognaes, a lawyer, engaged in a scheme in which he created Unincorporated Business Organizations (UBOs) for his clients. Bognaes then instructed his clients to transfer title of their assets into the UBOs and told them that they did not have to pay personal income taxes on those assets. Bognaes collected significant fees for his services. Bognaes referred to these UBOs by various names, including Massachusetts Trust, Common Law Trust and Pure Trust Organizations.

Bognaes also assisted co-defendant **Jose Gastanaga** of Reno, in setting up a UBO. Together they conspired to evade the payment of more than \$2 million in taxes owed by Gastanaga. Bognaes assisted Gastanaga by attempting to prevent the Internal Revenue Service (IRS) from seizing two homes for nonpayment of those taxes and obstructed the IRS's sale of Gastanaga's interest in a ranch located in Paradise Valley, Nevada. Bognaes also created UBOs for several other clients, including doctors and chiropractors and taught his clients how to conduct their transactions through the use of nominees and by wiring funds offshore to Turks and Caicos. For one client,

Bognaes generated fake receipts to support \$67,000 of false deductions during an IRS audit.

At the time of his arrest, Bognaes contended that his name was Sam Smith. However, after the FBI confirmed that the individual arrested was, in fact, Bognaes, he was transferred to the custody of the Bureau of Prisons to begin serving his prison term.

Acting Assistant Attorney General Ciraolo commended the diligent investigation of the U.S. Marshals Service in Phoenix and in Reno for bringing Bognaes to justice after 14 years. Acting Assistant Attorney General Ciraolo also thanked IRS – Criminal Investigation, who investigated this case and Trial Attorney Lori A. Hendrickson of the Tax Division and Assistant U.S. Attorney Anastasia King, formerly of the Tax Division, who prosecuted this case with valuable assistance from the U.S. Attorney's Office in Reno.

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